

**State Employee Benefits Committee
Monday, November 4, 2013 at 2:00 p.m.
DelDOT Administration Building
Farmington/Felton Conf. Room
Dover, Delaware**

The State Employee Benefits Committee met on November 4, 2013, at the DelDOT Administration Building, 800 Bay Road, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB
Brenda Lakeman, Director, OMB, SBO
Faith Rentz, Deputy Director, OMB, SBO
Casey Oravez, OMB, Financial Operations
Dawn Guyer, OMB, Financial Operations
Leslie Ramsey, OMB, SBO
Dawn Davis, OMB, SBO
Rebecca Reichardt, OMB
Stuart Wohl, Segal
Michael Morton, Controller General
Valerie Watson, Department of Finance
Henry Smith, DHSS
Andrew Kerber, DOJ
Karen Weldin Stewart, Insurance Commissioner
David Craik, Pension Office
Chip Flowers, Treasurer
Kelly Callahan, Office of the Treasury

Jennifer Ward, Highmark BCBS DE
Joe Morocco, HMS
Karol Powers-Case, DRSPA
Sandy Richards, AFSCME-R
Richard Phillips, DSEA-R
James Harrison, DSEA-R
James Testerman, DSEA-R
Barbara Jacobs, DSEA-R
Amber Cooper, OMB
Paula Roy, Roy Assoc.
Katherine Impellizzeri, Aetna
Karin Faulhaber, PHRST
Pat Griffin, SEBAC Chair
Carolyn Berger, Justice, AOC

Introductions/Sign In

Director Visalli called the meeting to order at 2:00 p.m. Anyone who had public comments was invited to sign-in and any others wishing to comment would be given the opportunity at the end of the meeting. Introductions were given around the room.

Approval of Minutes

Director Visalli requested a motion to approve the minutes from the September 23, 2013 SEBC meeting. Controller General Morton made the motion and Ms. Valerie Watson seconded the motion. Upon unanimous voice vote the minutes were approved.

Director's Report – Brenda Lakeman

It was reported that Open Enrollment for Medicare Part D participants closed on October 25, 2013. It was a non event because most pensioners had already enrolled and no action was necessary. The Pension Office took all calls and reported no problems.

Open Enrollment for the Flexible Spending Account program begins today and runs through November 26, 2013. The federal government has released a change that would allow an employer to update the FSA plan document to permit employees to carryover their unused balances of up to \$500 for use in the following year. Our plan has a grace period until March 15, which allows employees to get total reimbursement up through that date. It is recommended that we continue with the grace period for 2014.

Group Health Financials – handout

Ms. Oravez reviewed and discussed September 2013 Fund and Equity Report as well as revisions made to the July and August 2013 Fund and Equity Reports. It was noted that the reports provided at the September 23 SEBC meeting for July

and August included in the fund balance the Medicare subsidy funds of \$7.1M for the second part of 2013. The Medicare subsidy funds should have been noted as an assignment and not included in the fund balance. This correction to the fund balances reduced the July ending balance to \$14.4M. The balance further decreased to \$13.5M in August and to \$13.4M at the end of September. Ms. Oravez commented that the subsidy of \$7.1M for the first part of 2013 is currently in the health fund. Director Visalli advised that a vote would be taken at the end of the meeting to determine if the money should be moved into the OPEB Trust as in previous years.

It was mentioned that the July claims total of \$12M (which on average is \$8M) was higher due to claims that were not processed during the three week period as BCBS DE converted to Highmark DE.

Group Health Program Eligibility & Enrollment Rule Updates - handout

Ms. Rentz commented that there have been several situations that have arisen regarding eligibility for health coverage through the Group Health Program since the roll out of the Marketplace on October 1, 2013. Many employers are changing or eliminating coverage for our employee's spouses and dependents all together. As a result of these changes, Ms. Rentz reviewed for consideration, new additions to the Eligibility and Enrollment Rules section 4.07. All requests for enrollment must be made within 30 days of the loss of coverage.

(f) If an employee's spouse's employer drops health care coverage entirely for its employees, the spouse is eligible to be enrolled in the State's Program.

(g) If an employee's spouse's employer is offering coverage to its employees through the Small Business Health Options Program (SHOP), the spouse is required to enroll in the SHOP coverage unless the share of the premium is more than 50% of the total cost of the coverage. The State will be secondary if the employee chooses to cover their spouse.

(h) If medical insurance is more affordable through the Marketplace, an employee can drop the State's coverage for themselves and/or his dependents. This may apply to part-time employees who receive no state share.

(i) If an employee loses coverage under another employer group plan other than during the State plan's annual Open Enrollment period, the State plan allows for the employee to enroll mid-year.

There were no questions from the Committee and Director Visalli announced that a vote would take place to adopt the additions to the rules at the end of the meeting.

Group Universal Life Insurance Program Overview - handout

Ms. Lakeman reviewed the Group Universal Life (GUL) slide presentation and commented that in May of 2012 the SEBC Committee voted to extend the contract to Minnesota Life for an additional three years until December 30, 2015. The GUL rates are affordable and the benefit is extremely popular among retired and terminated employees in that it provides a portable option of half the face value upon employment separation.

Ms. Lakeman walked through the details of the plan as well as a timeline review from implementation in October of 2002 through the May 2012 SEBC renewal decision. The renewal offer in May 2012 consisted of the following:

- Maintain combined rates for the active and ported group (portability at 50%) with a rate reduction of 6.5% for a three year period.

- Enhancements included extension of dependent coverage to age 26, legacy planning services and an open enrollment offering for all active employees in November of 2012 with coverage to begin January 1, 2013.
- Changes to Premium Waiver Coverage for Disability included a reduction of the elimination period from 9 to 6 months and decision that once the fund to pay premiums was exhausted, the disability group will be absorbed into the active population
- Request for proposal (RFP) in two years (2014 for January 1, 2015 effective date) to be considered upon review of results of open enrollment and 2013 experience.

The 2012 Open Enrollment period produced the following results:

- 5.1% increase to the number of insured lives
- 5.8% increase to the volume of insurance
- 1.26% increase to number of spouse riders
- 9.46% increase to number of dependent riders
- Under age 25 group had the highest percentage increase of 54%
- Age 40 – 44 group had the highest volume increase of 8%

State of Delaware's portability provision is generous when benchmarked against similar state plans administered by Minnesota Life. Coverage reductions and limitations are in line with industry practice. Eighty-eight percent of the benchmark plans limit the amount of retiree coverage. Seventy-five percent of the other state plans have retirees in a separate risk pool that does not affect active rates. Retiree rates range from 3% to 175% higher in the other state plans.

Segal will assist in obtaining information of life insurance carriers in comparison to our current plan with Minnesota Life and will report back to the SEBC in January 2014. The RFP will be prepared for release in early 2014 for recommended implementation of new contract effective July 1, 2015 to coincide with the health, prescription, dental and vision plan years and open enrollment period. It is expected that synchronizing the plan year to coincide with the other benefit programs will yield a better response.

SEBAC Comment

SEBAC supports the Statewide Benefits Office's recommendation to approve the Medicare drug subsidy of \$7.1M be moved to the OPEB Trust, less \$300,000 to remain in the health fund for the final reconciliation. SEBAC also supports the changes to the Eligibility and Enrollment Rules.

Public Comment

None.

Motions

Director Visalli asked for a motion to approve the Medicare drug subsidy of \$7.1M be moved to the OPEB Trust, less \$300,000 to remain in the health fund for the final reconciliation. Insurance Commissioner Weldin Stewart made the motion with Justice Burger seconding the motion. The motion passed with a unanimous voice approval.

Director Visalli asked for a motion to update the Eligibility and Enrollment Rules effective December 1, 2013. Insurance Commissioner Weldin Stewart made the motion with Controller General Morton seconding the motion. The motion passed with a unanimous voice approval.

Other Business

None.

Director Visalli announced that the SEBC would need to go into Executive Session to hear a disability appeal. It was mentioned that the SEBC meeting scheduled for December 16, 2013 may need to be rescheduled and new date would be announced. She then requested a motion to adjourn the public meeting and go into Executive Session. Justice Berger made the motion and Controller General Morton seconded the motion. Upon unanimous voice approval, the public session ended at 2:50 p.m. Upon return to public session at 3:05 p.m., Director Visalli asked for a motion to adjourn the meeting. Controller General Morton made the motion and Insurance Commissioner Stewart seconded. With unanimous voice approval the motion carried.

Respectfully submitted,

Dawn M. Davis
Executive Secretary
Statewide Benefits Office, OMB